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**AGENDA ITEM 5a (Revised)**

**TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE**

- I. SUBJECT:** Health and Disease Management Initiative
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATIONS:** Staff recommends the Committee approve the following components of the Health and Disease Management Initiative:
1. Implement comprehensive performance monitoring beginning in 2008
  2. Develop action plan to expand program offerings to ensure consistency across all health plans in 2009
  3. Defer health risk assessment/life style management carve-out decision to allow more time to assess performance results for these programs
  4. Defer decision to carve-out disease management from CalPERS self-funded plans and Blue Shield HMO plans
  5. Create a dedicated Health and Disease Management Program management team within the context of comprehensive clinical oversight of the health plans.

**IV. BACKGROUND:**

In April 2008, Mercer presented the results of the CalPERS Health and Disease Management Initiative to the Health Benefits Committee (HBC). The goal of this initiative is to identify a strategy that will enable CalPERS to provide a best-in-class Health and Disease Management Program to CalPERS members. Mercer defined a best-in-class model as having the following elements:

1. Member-centric approach with superior member engagement through advocacy and coordination of care at its core;
2. Ability to engage and empower providers;
3. Fully integrated suite of care management programs from wellness to chronic disease management;
4. Seamless integration of data and predictive modeling; and,
5. Proven results through rigorous reporting and Return on Investment (ROI).

Mercer's report provided a comprehensive evaluation of our current health plan programs against this best-in-class model and identified areas for plan improvements. Mercer's report is attached for reference.

Following the HBC meeting, staff has carefully evaluated the Mercer recommendations. In addition, staff has conducted discussions with each of the health plans about Mercer's findings.

This agenda item presents the CalPERS clinical staff's analysis and recommendations for future directions of the Health and Disease Management Initiative.

## **V. MERCER ANALYSIS AND RECOMMENDATIONS:**

### **A. Mercer's analysis of the current programs identified the following:**

1. Existing health plan programs lack integration.
2. Participation rates in the existing health and disease management programs are low.
3. Current health plan reporting is inconsistent and limited in scope.
4. CalPERS staff resources are not appropriately deployed to support a best-in-class program.
5. Member awareness of current programs is limited.

### **B. The Mercer report recommends the following:**

1. Implement a comprehensive performance monitoring approach beginning in 2008.
2. Develop an action plan to expand program offerings to ensure consistency across all health plan programs in 2009.
3. Carve-out HRA and LM programs from all plans effective 2010.
4. Carve-out disease management programs from the Blue Cross and Blue Shield plans effective 2011.
5. Reorganize/develop a dedicated Health Management and Disease Management Program management team.

6. Separate the activities associated with implementing a single administrator from those of the Health Management and Disease Management Program.

## **VI. STAFF ANALYSIS AND RECOMMENDATIONS**

At this time, staff recommends adopting Mercer's recommendations 1, 2, and 5. Staff proposes a more comprehensive, flexible strategy for recommendations 3, 4, and 6.

### **A. Performance Monitoring and Program Consistency (Mercer's Recommendations 1 & 2)**

CalPERS staff concurs with Mercer's recommendations 1 and 2 above.

CalPERS should implement a clinically-based performance management program to consistently measure, monitor and improve the effectiveness of health and disease management programs. Staff proposes that the 2009 contracts require consistent reporting and improved program consistency across plans, while continuing the additional reporting each plan is currently providing. Staff is working with the plans to collect CalPERS specific data and improve program consistency.

### **B. CalPERS Health Risk Assessment (HRA)/Lifestyle Management (LM) Programs (Mercer's Recommendation 3)**

CalPERS staff recommends pursuit of aggressive build-out and performance improvement of current health plan HRA/LM programs at this time, instead of pursuing a carve-out strategy.

Anthem Blue Cross, Blue Shield, and Kaiser Permanente have either recently implemented new programs or are in the process of rolling out new programs in this area. In discussions with the plans following the April meeting, staff are convinced that they understand how seriously the HBC views this area and have recommitted their efforts to substantially improve both the scope and quality of their programs. Given the improved commitment levels, staff believes that each of the HRA/LM programs has the potential to achieve best-in-class status, with appropriate oversight, within a reasonably short time horizon. Some other points to consider include:

- The health plans have adopted an integrated approach to these programs and any carve-out effort would face the difficult challenge of constructing needed cross-vendor linkages to ensure integration.
- System and data integration is an operations issue that CalPERS staff has been working on for the past year. A carve-out at this time could potentially negate or complicate work that has been done to date.

Given the newness of many of the current health plan programs in this area, staff believes it is prudent for CalPERS to defer a carve-out decision to allow more time to assess performance results for these programs. If positive results do not emerge over the next 12-18 months, CalPERS would revisit a carve-out decision.

**C. CalPERS Disease Management Programs (Mercer's Recommendation 4)**

CalPERS staff recommends deferring a decision on disease management program carve-out from the Blue Cross and Blue Shield plans at this time.

CalPERS has just begun to collect disease management performance data from the health plans, specific to the CalPERS population. The concerns that the Mercer report raised regarding engagement and participation in our current disease management programs are real and must be addressed. We will, however, be in a much better position to quantify the potential value of a carve-out with the improved consistency in reporting and monitoring on CalPERS-specific results we expect over the balance of this year and next.

Other key points to consider include:

- Language provisions allowing a disease management carve-out are in the new self-funded PPO contracts and we plan to include them in the new Blue Shield contract as well.
- Potential for improvement in current programs exists if CalPERS has sufficient staff resources and commitment to do this.
- Since the Mercer report recommended a disease management carve-out for 2011, a final decision to carve out or not to carve out does not need to be made at this time.

**D. Reorganize/Develop a Dedicated Health and Disease Management Program Management Team (Mercer's Recommendation 5)**

The primary requirement for implementing an effective health and disease management strategy is having a sufficient number of qualified clinical, analytical, and administrative staff to monitor and manage the programs. Since health and disease management programs must be closely integrated with provider networks and members to be effective, oversight of these programs requires a comprehensive, integrated approach.

Following are some of the activities staff is currently conducting related to its clinical oversight of the health plans' health and disease management programs:

- Creating and implementing strategic action plans to improve member engagement and plan performance;

- Establishing and adopting quality measures that encompass acute, chronic, and preventive care;
- Collecting, evaluating and reporting clinical quality and member satisfaction data.

Staff will continue to collaborate with the health plans to improve existing programs, and expand these efforts based on Mercer's report. Recent improvements include:

- Facilitated laboratory value data feeds from health plans to the disease management programs to improve stratification and health coaching processes;
- Implementation of a protocol for alcohol/substance abuse referral; and
- Fostered collaboration among medical administration, pharmacy, and disease management programs to integrate data transfer.

Incrementally expanding clinical staffing will allow CalPERS to further improve oversight of the PPO plans, extend oversight to the HMO plans, and provide additional resources that will enable CalPERS to implement further clinical improvements as described in the Mercer report. Staff agrees with Mercer that the Health Benefits Branch should develop a dedicated Health Management and Disease Management Program management team, but recommends that this team function within the context of comprehensive clinical oversight of the plans.

#### **E. Single Third Party Administrator Considerations**

CalPERS staff concurs with the Mercer recommendation that a successful health and disease management program must be developed irrespective of any decision that the HBC makes with respect to the Single Third-Party Administrator initiative.

The HBC August 2008 Workshop will clarify the future direction of the Single Administrator initiative. Staff recommends proceeding with current performance improvement efforts within the Health and Disease Management program, and evaluating future carve-out decisions within the context of any model adopted to implement a Single Administrator.

### **VII. STRATEGIC PLAN:**

This request relates to Goals X and XI of the strategic plan which state:

- "Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers."
- "Promote the ability of members and employers to make informed decisions resulting in improved lifestyle choices and health outcomes."

**VIII. RESULTS/COSTS:**

Adding clinical and administrative staff is the most cost effective way to maximize health plan performance. Improving clinical oversight as described in this agenda item will require adding eight permanent positions, including an executive level position.

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Attachment